



MARTHA COAKLEY
ATTORNEY GENERAL

THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE ATTORNEY GENERAL
ONE ASHBURTON PLACE
BOSTON, MASSACHUSETTS 02108

(617) 727-2200
(617) 727-4765 TTY
www.mass.gov/ago

**Testimony of Attorney General Martha Coakley
Joint Committee on Telecommunications, Utilities and Energy**

**Oversight Hearing: The Green Communities Act of 2008
November 9, 2011**

Welcome

- Good morning.
- Thank you Chairman Downing and Chairman Keenan and members of the Committee.
- Joining me today are Jed Nosal, Chief of our Business and Labor Bureau and Jesse Reyes, Chief of our Energy Division.
- We appreciate the opportunity to be here.
- We have submitted full written testimony to the Committee but in the interest of your time I will highlight some of the major issues for you today.

Overview

- It has been three years since the implementation of the Green Communities Act.

- I believe it is an excellent time for the Committee to hold this hearing because we are able to evaluate the early impact of Green Communities and determine whether additional changes should be made.
- I recognize and fully support the policy concerns that drove the passage of the GCA, including the need to address climate change and move our Commonwealth toward cleaner technologies.
- For today's testimony, however, we are focusing on our role as the Commonwealth's ratepayer advocate and would like to hold a mirror up to the costs of the GCA – both beneficial and otherwise – to give the Committee a fuller picture as you consider these changes.
- In short, we have found a number of benefits– including increased energy efficiency programs that lead to savings for many consumers. But we also have found that the GCA programs have escalating costs that will cause an increase in electricity rates.
- Moving forward, we must provide for more transparency and competition to reduce these costs while maintaining the benefits of the GCA.

OVERALL STATE OF ENERGY MARKETPLACE IN MASSACHUSETTS

- All of our energy policy decisions, of course, must be tailored to the reality of energy costs in New England.
- Overall, Massachusetts' residential, commercial and industrial electric customers pay some of the highest rates in the country. We are unfortunately likely to remain at the top of that list.

- While energy forecasts are difficult predict, it is safe to assume that the total cost of electricity to customers will rise in Massachusetts throughout the next decade.
- While our office has frequently argued against rate increases, a majority of the Commonwealth's investor-owned utilities have sought double digit rate increases over the last three years, and we expect this trend to continue.

GREEN COMMUNITIES ACT BENEFITS

- It is in this context that we should evaluate the GCA.
- There is no question that it has had a number of benefits.

Energy Efficiency

- Significantly, it has greatly increased the Commonwealth's energy efficiency.
- According to a report released last month by the American Council for an Energy-Efficient Economy, Massachusetts has now overtaken California as the most energy-efficient state in the country.
- This is largely thanks to the incentives and programs implemented by the GCA.
- These are positive developments for many reasons, not the least of which is that this increased efficiency should help save households and businesses billions of dollars in energy costs over the long-term.

Increased protections for consumers

- A less discussed aspect of the Green Communities Act was the legislation's enhancement of our office's role as the utility ratepayer advocate.
- Enhanced audit authority has allowed us to gain more detailed analyses of utility company spending, and the ability to hire experts through the witness charge back provision has allowed consumers to be on a level playing field with utilities in rate proceedings.
- Since the Act passed in 2008, our involvement and litigation in both state and federal proceedings has helped secure over \$389 Million in savings.

Direct benefits for businesses

- Finally, the GCA has provided incentives for investment in green technologies to create jobs in the Commonwealth.
- It also has given companies resources to become more energy efficient to *save* costs and jobs.
- Our office worked with one such company.
- Simonds is a large blade manufacturer in Fitchburg that recently installed 3,600-megawatt natural gas generators that will help them save \$500,000 per year.
- They were only able to complete this project because the GCA's Alternative Energy Credits.

- These saved costs have helped them avoid layoffs and reinvest in their business, supporting the local economy in numerous ways.

GREEN COMMUNITIES ACT COSTS

- While there are unquestionably many benefits to the GCA, we also must closely track the costs as we consider further policy changes.
- The costs to implement the GCA programs over the next four years will be more than \$4 billion.
- This will cause the total delivered costs of electricity to rise an estimated seven percent over the next four years.
- These do not factor in the savings we discussed due to the energy efficiency measures, but, as they say, those are the facts.
- As we consider the impact of the GCA on individual households and businesses moving forward, we need to fully consider these costs and work to reduce them.

IMPROVEMENTS THAT CAN BE MADE

- So, how do we do this? What improvements can we make to reduce these costs?

- **We believe those improvements fall into three categories: increased competition and transparency, additional cost-efficiency requirements, and fewer sweetheart incentives for utility companies.**
 - Increased competition and transparency:
 - We believe all long-term renewable contracts should be subject to competitive procurement and utilities shouldn't be able to pick winners and losers. This will go a long way to ensure transparency and competition to reduce costs.
 - We also believe that more effort should be made to expose the true costs of energy, including costs that are hidden as subsidies as well as environmental costs.
 - Additional cost-efficiency requirements:
 - Statutory or regulatory changes should be made to subject all programs to rigorous cost-effective standards and, when possible, be required to be implemented at the least cost to consumers.
 - We also are concerned with policies that favor more costly technologies and would like to see technology neutral policies that ensure that the least expensive alternatives are implemented first.
 - Less sweetheart incentives for utilities:

- We believe that utilities are offered overly-generous incentives through the GCA.
- For instance, distribution companies are given incentives for meeting energy efficiency goals that are *required* by the law.
- They are also guaranteed a 4% profit on any long-term renewable contracts.
- These standards need to be re-evaluated and changes should be made to protect the interest of ratepayers.

CONCLUSION

- These are just some of the improvements that we believe can be made to reduce costs for consumers while maintaining the many benefits of the Green Communities Act.
- These are important considerations for the Committee, as any changes will have a major impact on individual families, businesses, and the economy as a whole.
- We appreciate the opportunity to testify before you today, and stand ready to work with you moving forward.
- Thank you.